SASKATCHEWAN MINING DEVELOPMENT CORPORATION

1990 ANNUAL REPORT

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ANNUAL REPORT

For the Year Ended
December 31, 1990

This Annual Report is printed on paper made in Saskatchewan.

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
February 11, 1991

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Mining Development Corporation for the year ended December 31, 1990 in accordance with **The Saskatchewan Mining Development Corporation Act**. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,

Richard J. Swenson
Minister Responsible
Saskatchewan Mining
Development Corporation

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

BOARD OF DIRECTORS

Wolfgang Wolff, F.C.A., Chairman
Regina

Hon. Richard J. Swenson
Regina

Hon. Jack C. Klein
Regina

Ronald D. Rogers
Regina

Ian D. Disbery
Regina

OFFICERS

Ronald D. Rogers
President

Ian D. Disbery
Secretary

OFFICE

2400 College Avenue
Regina, Saskatchewan
S4P 1C8

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

1990 SUMMARY

Saskatchewan Mining Development Corporation – The Holding Company

In 1988, Cameco – A Canadian Mining and Energy Corporation (Cameco) was formed by Saskatchewan Mining Development Corporation (SMDC), a Saskatchewan Crown corporation, and Eldorado Nuclear Limited (Eldorado), a federal Crown corporation. As part of the agreements signed on October 5, 1988, substantially all of the operating assets, contracts and net working capital of SMDC and Eldorado were transferred to Cameco.

As a result of the transfer of assets and a subsequent financial restructuring, SMDC was transformed into a holding company. At December 31, 1990, SMDC held 6.385 million shares which represent 61.5% of Cameco's outstanding common shares. SMDC also held one Class B share of Cameco which gives the Corporation special voting rights regarding the location of the Cameco Head Office.

During 1990, Cameco changed its name to Cameco Corporation.

Financial Results for 1990

SMDC accounts for its investment in Cameco using the equity method of accounting, whereby the book value is increased by SMDC's share of Cameco's earnings and reduced by cash dividends received. Cameco reported net earnings of $91.6 million in 1990.

SMDC reported net earnings of $56.2 million in 1990, compared with $14.8 million in 1989. During 1990, a dividend of $195.0 million was paid by SMDC to the Crown Management Board of Saskatchewan.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the accompanying financial statements of the Saskatchewan Mining Development Corporation (the Corporation) in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfil this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Ernst & Young, the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of Saskatchewan Mining Development Corporation,

R. D. Rogers.

Ronald D. Rogers,
President

AUDITORS' REPORT

To the Members of the Legislative Assembly,
Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Mining Development Corporation as at December 31, 1990 and the statements of earnings and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst + Young

Regina, Canada
February 8, 1991

Chartered Accountants

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As At December 31

	1990	1989
	(thousands of dollars)	
ASSETS		
Current:		
Cash	$ 8	$ –
Due from Crown Management Board	352	544
	360	544
Investment in Cameco Corporation (Note 3)	601,453	545,106
	$ 601,813	$ 545,650
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable and accrued charges	$ 612	$ 662
Province of Saskatchewan's Equity:		
Equity advances (Note 4)	601,201	406,187
Reinvested earnings	–	138,801
	601,201	544,988
	$ 601,813	$ 545,650

(See accompanying notes)

Approved on behalf of the Board

_____, Director

_____, Director

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

STATEMENT OF EARNINGS AND REINVESTED EARNINGS

Year Ended December 31

	1990	1989
	(thousands of dollars)	
Revenue:		
Share of Cameco Corporation earnings (Note 3)	$ 56,347	$ 14,464
Other	–	558
	56,347	15,022
Operating expenses	134	202
Net earnings	56,213	14,820
Reinvested earnings, beginning of year	138,801	123,981
	195,014	138,801
Dividend	(195,014)	–
Reinvested earnings, end of year	$ –	$ 138,801

(See accompanying notes)

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31

	1990	1989
	(thousands of dollars)	
Cash provided by (used in):		
Operating activities:		
Net earnings	$ 56,213	$ 14,820
Add (deduct) non-cash items		
Share of Cameco earnings	(56,347)	(14,464)
	(134)	356
Net change in non-cash working capital balances relating to operations	142	(356)
Cash provided by operating activities	8	-
Financing activities:		
Equity advances received	195,014	-
Dividend paid	(195,014)	-
	-	-
Net increase in cash	8	-
Cash, beginning of year	-	-
Cash, end of year	$ 8	$ -

(See accompanying notes)

SASKATCHEWAN MINING DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1990

1. Accounting Policy

Investment in Cameco Corporation

Saskatchewan Mining Development Corporation (SMDC) owns 6,385,267 (61.5%) of the outstanding voting common shares of Cameco Corporation (formerly Cameco – A Canadian Mining & Energy Corporation)(Cameco). In conjunction with the other shareholder of Cameco, SMDC agreed to reduce its ownership interest in Cameco through a series of share offerings over a specified period of years. As a result of this formal disposal plan, SMDC has adopted the equity method of accounting for its investment in Cameco. Accordingly, the carrying value of SMDC's investment in Cameco will be adjusted for SMDC's share of Cameco's earnings or losses and reduced by dividends received.

2. Status of Saskatchewan Mining Development Corporation

The Corporation was established by Order–in–Council #865/74 dated June 4, 1974 and continued under the Saskatchewan Mining Development Corporation Act, 1977. The Corporation's accounts are included in the annual consolidated financial statements of Crown Management Board of Saskatchewan.

The Corporation is a Provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

3. Investment in Cameco

The Corporation's ownership in Cameco at December 31, 1990 remains unchanged from the prior year at 6,385,267 voting common shares representing a 61.5% interest. Included in the investment in Cameco is one Class B share of Cameco purchased for consideration of $1. This share provides SMDC with the ability to exercise special voting rights with respect to the location of Cameco's head office.

4. Equity Advances

The equity advances have been received from Crown Management Board of Saskatchewan (CMB), are non–interest bearing and are repayable at the discretion of CMB. During the year, the Corporation received further equity advances in the amount of $195,014,000.

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